

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-6-E - ORDER NO. 90-1107✓

NOVEMBER 30, 1990

IN RE: Adjustment of Base Rates for Fuel)	ORDER APPROVING
Costs for Duke Power Company)	BASE RATES FOR
)	FUEL COSTS

On November 21, 1990, the Public Service Commission of South Carolina (the Commission) held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by Duke Power Company (the Company) to provide service to its retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., §58-27-865 (Cum. Supp. 1989).

At the public hearing, W. Edward Poe, Jr., Esquire, and Jefferson D. Griffith, III, Esquire, represented the Company; Nancy J. Vaughn, Esquire, represented the Intervenor, the Consumer Advocate of South Carolina; and Sarena D. Burch, Esquire, Staff Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of two witnesses on behalf of the Company, three witnesses on behalf of the Commission Staff, and three exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

1. The record of this proceeding indicates that for the

period from April 1990 through September 1990 the Company's actual total fuel costs for its electric operations amounted to \$383,062,173.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for the Company's fossil, nuclear and hydraulic plants for April 1990 through September 1990. The fossil generation ranged from a high of 52% in September to a low of 33% in May. The nuclear generation ranged from a high of 65% in May to a low of 47% in September. The percentage of generation by hydro ranged from 1% to 4% for this period.

3. During the April 1990 through September 1990 period, coal suppliers delivered 4,904,565 tons of coal at a weighted average received cost per ton of \$44.76. The Commission Staff's audit of the Company's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from \$43.27 per ton in August to \$47.40 per ton in May.

4. The Commission Staff conducted an extensive review and audit of the Company's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, Jacqueline Cherry, testified that the Company's fuel costs were supported by the Company's books and records.

5. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment

of the fuel component in the Company's base rates that variations between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. Section 58-27-865, supra, establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

6. The record of this proceeding indicates that the comparison of the Company's fuel revenues and expenses for the period April 1990 through November 1990 produces an under-recovery of \$949,476 through November 1990.

7. Company witness, W. R. Stimart - Vice President of Rates and Regulatory Affairs, proposed that the Commission adjust the fuel component in base rates from the presently approved 1.0000 cents/KWH to 1.1000 cents/KWH for the six (6) months ending May 31, 1991.

8. The Company's projected average fuel expense for the December 1990 through May 1991 period is 1.1354 cents per KWH. However, when adjusted by the under-recovery of 0.0104 cents per KWH through November 1990, the total fuel costs which is 1.1458 cents per KWH, would be required to produce virtually no cumulative variance between the average projected fuel cost and actual fuel costs at the conclusion of the six months period ending May 31, 1991.

9. The Commission's Staff witness William O. Richardson, Utilities Engineer Associate, demonstrated that the projected fuel

cost for the six-month period ending May 31, 1991, and the cumulative under-recovery of \$949,476 would be recovered by the establishment of a fuel component of 1.1458 cents per KWH in the base rates. The Commission Staff recommended that the fuel component in the base rates be set at 1.1000 cents per KWH. This recommendation is in keeping with the spirit of the statute to allow utilities to recover prudently incurred fuel cost "in a manner that tends to insure public confidence and minimize abrupt changes in charges to consumers." This recommendation will also tend to limit fluctuations in the fuel factor over the long term.

10. Based on the testimony of Staff witness A. R. Watts the Commission finds that the nuclear outages of the Company during the period in question were necessary and concludes that the outages did not cause Duke's customers to pay unreasonable fuel costs.

11. The Commission has carefully reviewed the proposals advanced by the Company and the Commission Staff in regard to an adjustment to the fuel component in the Company's base rates. Based upon our full review of the record in this proceeding, the Commission is of the opinion, and so finds, that the recommendations as proposed by the Company and the Staff are fair and reasonable and should herein be approved, effective commencing with the Company's December 1990 billing cycles. Based upon the projected fuel costs and energy sales through the next six months, the operation of a fuel component of 1.1000 cents per KWH will produce a cumulative under-recovery of fuel cost in an amount of \$4,131,488 for the period ending May 1991. The Commission

considers that the adoption of this fuel cost level herein will serve to encourage the Company to continue its efforts in the exercise of reasonable prudence and efficiency in its fuel purchasing practices.

IT IS THEREFORE ORDERED:

1. That a fuel component of 1.1000 cents per KWH be, and hereby is, approved for Duke Power Company, effective on bills rendered on and after December 1, 1990.

2. That Duke Power Company file with the Commission for approval, within fifteen (15) days of the date of this Order, rate schedules designed to incorporate our findings herein and an Adjustment for Fuel Costs, as demonstrated in Appendix A, attached hereto and incorporated by reference.

3. That the Company comply with the Notice requirements set forth in S.C. Code Ann., §58-27-865 (A) (Cum. Supp. 1989).

4. That the Company continue to file the monthly reports previously required in this Docket.

5. That the Company account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. That the Company submit monthly reports to the Commission of fuel cost and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

DUKE POWER COMPANY

ADJUSTMENT FOR FUEL COSTS

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of Fuel in an amount to the nearest one ten-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission for the succeeding six months or shorter period:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one ten-thousandth of a cent.

E = Total Projected system Fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

Plus

- (B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

Plus

- (C) Interchange power fuel costs such as Short Term, Economy and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

Minus

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S₁ = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue-related tax factor is to be included in these calculations.

THE FUEL COST F AS DETERMINED BY SCPSC ORDER NO. 90-1107 FOR THE PERIOD DECEMBER 1990 THROUGH MAY 1991 IS 1.1000 CENTS PER KWH.